

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 1.      Summary of Significant Accounting Policies**

**A.      Reporting Entity**

The Library of Congress (Library), a legislative branch agency of the federal government, was established in 1800 primarily to provide information and policy analyses to the members and committees of the U. S. Congress. Since then, the Library has been assigned other major missions such as administering the U. S. copyright laws, providing cataloging records to the Nation's libraries, and coordinating a national program to provide reading material for blind and physically handicapped residents of the U. S. and its territories and U. S. citizens residing abroad. The Library also provides services to other federal agencies and administers various gift and trust funds.

The Library's programs and operations are subject to oversight by the Joint Committee on the Library which is comprised of members of the U. S. House of Representatives and Senate. The Library relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House and Senate Appropriations Committees' Subcommittees on Legislative Branch Appropriations. The Library also receives funds from other agencies for services provided under the Economy Act and other statutes. In addition, the Library receives donations from the public in the form of gifts and trusts. The trust funds are controlled by the Library of Congress Trust Fund Board, which consists of the Librarian of Congress (who is Chairman and Secretary of the Trust Fund Board), the Chairman of the Joint Committee on the Library, the Secretary of the Treasury (or an assistant secretary designated in writing by the Secretary of the Treasury), and ten additional members appointed by the President (2), the U.S. House of Representatives (4), and the U. S. Senate (4).

Entity activities are those for which the Library has the authority to use the assets. Non-entity activities consist primarily of custodial accounts which are not available for use by the Library.

**B.      Basis of Presentation**

The accompanying consolidated statements report the financial position, operations, and changes in net position and the combining statement reports the budgetary resources of the Library for fiscal year 1998. These consolidated and combined financial statements include the accounts of all funds under the Library's control which have been established and maintained to account for the resources of the Library. They were prepared from the Library's financial

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

management system in accordance with the form and content for entity financial statements specified by the Library's Financial Management regulations and directives and the accounting policies summarized in this note.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the new standards now being developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budget data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510) which adopts the executive branch reporting requirements in a manner consistent with a legislative agency.

All significant intra-agency balances and transactions have been eliminated in consolidation.

The statements include five appropriated fund accounts; 13 revolving funds; reimbursable funds (including four major programs); 87 trust funds; and 142 gift funds.

**C. Basis of Accounting**

Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over use of federal funds. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The General Accounting Office (GAO), Office of Management and Budget (OMB), and Department of the Treasury established the Federal Accounting Standards Advisory Board (FASAB) for the purpose of considering and recommending accounting principles, standards, and requirements to GAO, Treasury, and OMB. FASAB has issued and the three sponsoring organizations have approved a comprehensive set of accounting standards, which cover most transactions. The accompanying financial statements are prepared in accordance with these standards. However, transactions that are not addressed by these standards may still be incurred and the following hierarchy shall be viewed as the source of providing generally accepted accounting principles:

! Individual FASAB standards agreed to by the Controller General, the Director of OMB, and the Secretary of the Treasury, and published by OMB and the General Accounting Office;

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

! Interpretations related to the FASAB standards issued by FASAB and Technical Releases issued by the FASAB's Accounting and Auditing Policy Committee;

! Requirements contained in OMB's Form and Content Bulletin in effect for the period covered by the financial statements;

! Library of Congress Regulations and Financial Services Directives; and

! Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first four parts of this hierarchy, and (2) if the use of such accounting standards improve the meaningfulness of the financial statements.

**D. Revenues and Other Financing Sources**

The Library receives the majority of its funding to support its programs through five appropriations that include both annual and no-year funding. The appropriated funds may be used, within statutory limits, for operating and capital expenditures including equipment, furniture and furnishings. The five appropriations are:

- ! Library of Congress, Salaries and Expenses - (annual) 0380101; (no-year) 03X0101
- ! Copyright Office, Salaries and Expenses - (annual) 0380102; (no-year) 03X0102
- ! Congressional Research Service, Salaries and Expenses - (annual) 0380127
- ! National Library Service for the Blind and Physically Handicapped,  
Salaries and Expenses - (annual) 0380141; (no-year) 03X0141
- ! Furniture and Furnishings - (annual) 0380146; (no-year) 03X0146

Additional amounts are obtained through reimbursements from services performed for other federal agencies as authorized by the Economy Act and the Library's annual appropriation legislation. Also, the Library receives gifts from donors and interest on invested funds. In addition, the Library operates several self-sustaining gift revolving funds which generate revenues from sale of various products and services to the public and federal customers.

Appropriations are recognized as revenues at the time they are used to pay expenses. Other revenues are recognized when earned. Reimbursable and revolving fund revenue is recognized when goods have been delivered or services rendered.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**E. Gift and Trust Funds**

During fiscal 1998, the Library administered 229 gift and trust funds with combined asset value of approximately \$74 million. Funds are restricted as to their use which must be in accordance with the terms of the gift agreement. In general, funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on trust funds by the terms of a trust agreement or donor's will. Library fund managers administer and oversee the gift and trust funds to ensure they are used as directed by the donors and in accordance with Library policy.

**F. Fund Balance with Treasury**

The amount shown as Fund Balance with Treasury represents the balances of the appropriated, reimbursable, gift and trust, revolving, and custodial funds that are on deposit with the U. S. Treasury.

**G. Cash and Other Monetary Assets**

Cash and other monetary assets is defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand, imprest funds, and foreign currency.

The Library receives and utilizes foreign currencies in carrying out operations abroad. It conducts business through six overseas offices and uses local currencies. Additionally, the Library administers one U.S. Treasury foreign currency account (Indian rupees). At year-end, account balances remaining in foreign currencies are remeasured to U.S. dollar equivalents at the uniform government-wide Treasury reporting rates. Foreign currency balances at year-end are immaterial to the consolidated financial statements.

**H. Investments (Net)**

Gift & Trust Funds - The Library of Congress Trust Fund Board determines the investment policy for the Library's gift and trust funds. The policy provides three options for investment of gift and trust funds:

- ! a permanent loan with the U.S. Treasury
- ! a pool of U.S. Treasury market-based securities
- ! a private investment pool consisting of six stock funds and one money market fund.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

The six stock funds recommended by the Trust Fund Board's investment committee are:

- ! Vanguard Index Trust - Small Capitalization Stock Portfolio
- ! CGM Mutual Fund
- ! Mutual Beacon Fund
- ! Fidelity Fifty Fund
- ! Fidelity Stock Selector
- ! Robertson Stephens Funds - The Emerging Growth Fund

Under 2 U.S.C. 158, up to \$10,000,000 of the Library's gift and trust funds may be invested with the U.S. Treasury as a permanent loan at a floating rate of interest, adjusted monthly, but no less than four percent per annum. The permanent loan is an interest bearing investment recorded at cost which is market value.

Treasury securities are intended to be held to maturity, are valued at cost, and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method which approximates the effective interest method.

Stock and money market funds are stated at current market value and are considered available for sale. Unrealized gains and losses are recognized and recorded as a component of equity in the balance sheet.

All gift and trust fund investments are obtained and held by the gift and trust funds under conditions set forth in the respective gift and trust instruments.

Custodial Fund - Copyright royalties collected by the Copyright Office on behalf of copyright owners are invested, net of service fees, in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method which approximates the effective interest method. These investments will be held until distributions are made to copyright owners. Income accrues to the benefit of the copyright owners.

Deposit Funds - Pursuant to Public Law 105-80, funds deposited by copyright applicants are invested, based on the unearned balance available, by the Copyright Office in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method which approximates the effective interest method. These

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

investments will be held until the deposit fees are earned and income accrues to the benefit of the Copyright Office.

**I. Accounts Receivable, Net**

Accounts receivable generally resulted from billings to other federal agencies under reimbursable interagency agreements for data base retrieval and other library services. The Library has established an allowance for doubtful accounts of \$9,905 against governmental accounts receivable based on past collection experience. The Library does not record allowance for doubtful accounts for intragovernmental accounts receivable based on the FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 1, "Accounting for Selected Assets and Liabilities", which cites that "losses on receivables should be recognized when it is more likely than not that the receivable will not be totally collected". Intragovernmental receivables are likely to be totally collected.

**J. Pledges Receivable**

Contributions of unconditional promises to give (pledges) to the Library and the Library of Congress Trust Fund Board are recognized as donated revenue in the period the pledge is received. They are recorded at their estimated present value using a market-based discount rate. Accretion of the discount in subsequent years is also recorded as donated revenue. Substantially all of the Library's pledges are from major corporations or donors. In the past, the Library has collected all pledges in full, therefore, no allowance for uncollectible pledges has been established.

**K. Inventories and Operating Materials and Supplies**

The Library's inventories are primarily comprised of bibliographic products, unissued supplies and unused postage that will be consumed in future operations, materials used to reproduce printed materials, sound recordings for both internal and external sales, and sales shop merchandise for resale. Consumable operating supplies are valued at cost using a first-in first-out method of valuation. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials and supplies are adjusted for the results of periodic physical counts.

**L. Property and Equipment, Net**

For fiscal years prior to 1998, the Library capitalized furniture and equipment at cost if the initial acquisition cost is \$10,000 or more. Starting in fiscal year 1998, the Library capitalizes

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

furniture and equipment at cost if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives.

The largest category of equipment is for the National Library Service for the Blind and Physically Handicapped lending program which is classified as equipment on loan to the public in Note 6. The Library purchases this unique, specially designed equipment from the manufacturer in large lots with a high bulk value. For financial reporting purposes, the machines are grouped by the aggregate amount purchased and shipped to machine lending agencies during a fiscal year. Each fiscal year group is then accounted for over the estimated useful life of the assets in the aggregate. The value of the equipment does not include any freight or postage costs. These shipping costs are included under the U.S. Postal Service's "free matter for the blind and physically handicapped." The value of this service has not been determined.

Operating equipment is amortized over a 4 to 20 year period. ADP software is software purchased from outside vendors with an estimated useful life of three years or more and a value of at least \$10,000 per item acquired in fiscal years 1997 and prior or at least \$25,000 per item acquired in fiscal year 1998.

Leased equipment meeting the criteria for capitalization in accordance with Statements of Federal Accounting Standards is included in property and equipment.

The Library occasionally acquires property and equipment by direct gift or by purchase from funds donated for a specific purpose or project. Because property is generally not restricted for use to gift and trust activities, property accounts are not maintained in the gift and trust funds. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and trust funds and transferred to the Library's appropriated fund. The Library records the donated property and equipment at its fair market value at the time of the gift.

Land and buildings are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center) and a secondary storage facility at Fort Meade, Maryland. Costs associated with the acquisition and maintenance of these buildings are accounted for by the Architect. However, in accordance with SFFAS No. 4, "Managerial Cost Accounting Standards", a current year expense of \$24.2 million was recorded for the acquisition and maintenance of these buildings and was offset by an imputed financing source, which represents the amount being financed by the Architect. In fiscal year 1998, the

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

Architect received an appropriation totaling \$15.8 million to fund the structural and mechanical care of these buildings. This appropriation is not reflected in the accompanying consolidated financial statements. The Library does capitalize and depreciate leasehold improvements to all of its facilities as long as the improvement was made using the Library's funding sources.

**M. Library Collections**

The Library's collections are classified as heritage assets, and their value is not presented on the financial statements. Stewardship information covering the acquisition, use, preservation, and security of the collections is contained in a supplementary Stewardship Report.

**N. Liabilities**

Liabilities represent the amounts that are likely to be paid by the Library as a result of transactions that have already occurred. Liabilities for which an appropriation has not been enacted, or are the result of custodial and deposit account activities, are classified as liabilities not covered by budgetary resources. For accrued unfunded annual leave, compensatory time earned and workers' compensation liabilities, it is not certain that appropriations will be enacted to fund these amounts.

Advances From Others are funds received for the reimbursable programs, the Photoduplication Service and the Cooperative Acquisitions Program that have not yet been earned.

Custodial and Deposit Liabilities are customer funds on deposit for Copyright and Cataloging Distribution Service products and services. This category also includes the custodial funds for Copyright royalties.

Accrued Annual and Compensatory Leave - The Library's basic leave policy is contained in Title 5, U.S.C., the Uniform Annual and Sick Leave Regulations of the Office of Personnel Management, and the decisions of the Comptroller General. Generally, each employee may carry forward a maximum of 240 hours of annual leave per calendar year. Accrued annual leave is accrued as it is earned and adjusted at the end of each fiscal year based on annual leave earned and taken. Annual leave earned in excess of the maximum permitted carryover is forfeited. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates.



**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

Employees' compensatory time earned but not taken is also accrued at year-end. An employee may accumulate a maximum of 40 hours of compensatory time during the fiscal year. A maximum of 20 hours may be carried forward from one leave year to the next only when it was earned during the last pay period of the leave year. Exceptions to the accumulation and carry forward rules require the approval of the Librarian or his/her designee.

Sick leave and other types of nonvested leave are expensed as taken.

Capital Lease Liabilities are liabilities resulting from capital leases of equipment.

**O. Federal Employee Benefits**

Approximately 54 percent of the Library's employees participate in the Civil Service Retirement System (CSRS), to which the Library makes contributions equal to 8.5 percent of pay. There is a small number under CSRS that are also covered by Social Security (FICA) so the Library's contribution is slightly less. An additional 41 percent of the Library's employees are covered by the Federal Employees Retirement System (FERS) to which the Library makes employer contributions equal to 10.7 percent of pay in addition to matching employee Thrift Savings Plan (TSP) contributions up to an additional five percent of pay. Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share. The remaining five percent of the Library's employees are only covered by FICA to which the Library contributes the employer's matching share.

The accrued amounts due for the contributions due at the end of the fiscal year are reported as liabilities covered by budgetary resources. Contributions for fiscal year 1998 were as follows:

CSRS	\$11,445,493
FERS	8,615,023
TSP	3,311,861
FICA	5,279,920
Total	<u>\$28,652,297</u>

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of Social Security, FERS and CSRS is not allocated to individual Federal

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

departments and agencies. However, in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government", a current year expense of \$20.7 million was recorded for the service cost of the Library's employee retirement, health and life insurance benefits and was offset by an imputed financing source, which represents the amount being financed directly by OPM.

**P. Intragovernmental Activities**

Inter-entity costs are costs of services provided by other Federal entities to the Library. When these costs are provided at no cost or at a reduced cost, the Library recognizes in its accounting records the full costs of the services it receives as an expense and as a corresponding financing source. These financial statements include unreimbursed inter-entity costs for the Architect of the Capitol, Office of Personnel Management and the Government Printing Office.

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's consolidated financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity.

**1.** The Library's consolidated financial statements are not intended to report the agency's share of the federal deficit or of public borrowings, including interest thereon.

**2.** The Library's program for the blind and physically handicapped participates in the U.S. Postal Service's "Matter for Blind and Other Handicapped Persons" program (39 U.S.C. 3403 - 3406). This Postal Service program receives an appropriation from Congress to provide free postage for qualifying organizations, programs, and individuals such as mail from war zones, letters from blind people to anyone, and organizations which work for the blind. The Library's National Library Service for the Blind and Physically Handicapped uses this free matter program for mailing all books and equipment to its participating lending libraries and patrons.

**3. Governmental Services:**

**a.** The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other data base retrieval services through data base vendors and in-house research studies. These services are provided on a cost reimbursement basis and are billed in advance of providing the services. At year-end the Library estimates the amount received in advance (Advances From Others - Intra governmental) and the amount to be

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

received for services provided (Accounts Receivable - Intragovernmental).

**b.** Three government agencies provide administrative services to the Library on a reimbursable basis:

! The Department of Agriculture's National Finance Center (NFC) processes the Library's personnel, payroll, and employee benefits accounting transactions. In fiscal year 1998, the Library paid \$475,479 for these services.

! The Library utilizes the services of the Department of State as documented by the International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices. The Library paid \$632,706 for these support services in fiscal year 1998.

! The General Services Administration (GSA) provides building and vehicle leasing services for the Library. (See Note 9B)

**c.** As noted under Note 1.L, the Architect of the Capitol provides the structural and mechanical care of the Library's capitol hill facilities and remote storage site at Fort Meade, Maryland.

**Q. Related Party Organizations**

The Library lends support to several related organizations, projects, and programs from which it receives benefits in various forms. The following is a list of these organizations or programs:

**1. Civilization Magazine - *Civilization***, a bimonthly magazine published under license from the Library by Civilization, L.L.C., a limited liability company based in Delaware, was launched in November, 1994. The original publisher was L.O.C. Associates, L.P., which sold their interest to Civilization, L.L.C., in January 1997. The cooperative agreement was approved by the Joint Committee on the Library in the fall of 1993. Under the licensing agreement, the Library may receive donations and must approve all promotional, editorial, and advertising material using the Library's name. Twelve hundred federal depository libraries and all members of Congress received free subscriptions in fiscal 1998. In connection with the magazine, the Library formed the Library of Congress Associates Program. By subscribing to *Civilization*, a person becomes a Library of Congress Associate entitled to special tours of the Library as well as discounts on food and gift shop merchandise sold at the

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

Library. The donations received by the Library as a result of this publication and the revenue foregone as a result of the discounts given cannot readily be determined.

**2. Telephone Pioneers of America** - The Telephone Pioneers is a large industry-related organization that voluntarily repairs playback machines for the blind and physically handicapped program. Approximately 1,500 Telephone Pioneers (AT&T retirees) and Elfuns (General Electric retirees) repair the cassette book machines and talking book machines. Their labor is valued at \$4.2 million per year.

**3. Library of Congress Child Care Association (LCCCA)** - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street in the District of Columbia. The center provides child care for Library employees and other federal and non-federal employees. Its operations, management, and employees are the responsibility of the association and not the Library. However, the Library and the Architect of the Capitol support the center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. The Library provides an official who is a non-voting representative on the center's Board of Directors and who acts as a liaison with the Library.

**4. The Archer M. Huntington Charitable Trust** - This charitable trust was established in 1936 and is controlled and invested by the Bank of New York. The assets of the endowment are not a part of the Library of Congress Trust Fund Board and the Board's only control over its investment activities is through the Librarian of Congress' role as trustee. The trust is defined as a split-interest agreement with a fair value of assets at September 30, 1998 of \$5,591,618. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultantship to bring "distinguished men of letters . . ." to the Library. Currently, the income assists in the funding of a "poet laureate" position. In fiscal year 1998, the Library received \$105,448 from the trust.

**5. Ira and Leonore Gershwin Trust Fund and Related Charitable Trust** - Under the will of Mrs. Leonore Gershwin, the Library of Congress Trust Fund Board is the beneficiary of 37.5 percent of Mrs. Gershwin's "1987 Trust." The will established the "Library Charitable Trust" which was accepted by the Library of Congress Trust Fund

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

Board in January 1992. The primary purpose of the Trust is to perpetuate the name and works of George and Ira Gershwin through all resources of the Library. The Charitable Trust does not belong to the Library but is a separate entity administered by trustees. The net income of the Charitable Trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund monthly or in installments after the Library submits project requests. Income is recorded by the Library in the period received. The balance of principal of the Charitable Trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin.

**6. "Friends" Organizations** - Three organizations lend support to Library programs through gifts of money and other property but are incorporated as independent entities under the Internal Revenue Service Code, Section 501 (c)(3).

**a. Millennium Foundation, Inc.** - The Foundation operates for charitable, educational and literary purposes solely to benefit, support, and carry out the purposes of the Library. The Library allows the Foundation to use its name in connection with the performance of activities approved by the Library. This right exists only so long as Millennium is engaged in activities that directly or indirectly support the mission and objectives of the Library. In its third quarter report, dated September 30, 1998, the Foundation reported total assets on hand of \$86,363.

**b. Friends of the Law Library** - This non-profit organization's mission is to support and encourage awareness of the Law Library, contribute to its collections, and to sponsor programs and events that provide a better understanding of the law. In fiscal 1998, the Friends provided support for the Law Library's program in honor of American Indian Heritage month; the Law Day program; the Conference on Authenticity and Archivability of Electronic Legal Information; and the Law Library's participation in the annual meeting of the American Association of Law Libraries. The Friends also donated \$25,000 for the upcoming major international conference in celebration of the Library's Bicentennial.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**c. Friends of Libraries for the Blind** - The non-profit organization's purpose is to heighten awareness and visibility of national library services for blind and physically handicapped individuals in the United States and Canada and assist and promote library services, provide cultural enrichment programs and create and issue periodic communications on topics related to blind and physically handicapped individuals.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 2.      Fund Balance With Treasury**

Fund balances with Treasury at September 30, 1998, are summarized as follows:

<b>1. ENTITY</b>	<b>Obligated</b>	<b>Unobligated /Available</b>	<b>Unobligated/ Unavailable/ Restricted</b>	<b>Total</b>
Appropriated Funds	\$80,541,089	\$9,257,704	\$16,308,424	\$106,107,217
Reimbursable Funds	32,506,667	0	631,678	33,138,345
Gift and Trust Funds	3,562,251	457,832	8,803,782	12,823,865
Revolving Funds	3,016,925	5,240,461	653,063	8,910,449
<b>Total Entity</b>	\$119,626,932	\$14,955,997	\$26,396,947	\$160,979,876
<b>2. NON-ENTITY</b>				
Custodial Funds			\$253,664	\$253,664
<b>Total Non-Entity</b>			\$253,664	\$253,664

(1) At September 30, 1998, the gift and trust fund balance with Treasury Included \$10,000,000 invested in the permanent loan at an interest rate of 5 percent.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 3.      Cash and Other Monetary Assets**

Cash and Other Monetary Assets consists of the following:

<b>ENTITY</b>	<b>Cash on Hand</b>	<b>Imprest Funds</b>	<b>Deposits in Transit</b>	<b>Total</b>
Appropriated Funds	\$349,732	\$42,357	\$154,035	\$546,124
Reimbursable Funds	6,852			6,852
Gift and Trust Funds	256,524			256,524
Revolving Funds	185,237	2,700	1,747	189,684
<b>Total Entity</b>	<b>\$798,345</b>	<b>\$45,057</b>	<b>\$155,782</b>	<b>\$999,184</b>

**Note 4.      Custodial Funds**

The Library of Congress Copyright Office Licensing Division administers the compulsory and statutory licenses covered by the Copyright Act (17 U.S.C.). The Licensing Division receives royalty fees from the cable television operators for retransmitting television and radio broadcasts, from satellite carriers for retransmitting "superstation" and network signals, and from importers and manufacturers for distributing digital audio recording products (DART). Refunds may arise when a cable, satellite, or DART remitter inadvertently overpays or is otherwise entitled to a refund. The Licensing Division invests the licensing royalty fees in market-based U.S. Treasury notes and bills. Because these investments are held in a custodial capacity for the copyright owners, income does not accrue to the Library's benefit.

If disputes arise regarding the disposition of the royalties, the Librarian convenes a copyright arbitration royalty panel. The panel consists of three arbitrators selected from a list of professional arbitrators nominated by professional arbitration associations. The Librarian, upon the recommendation of the Register of Copyrights, selects two of the three arbitrators who, in turn, select the third arbitrator. This individual serves as the chairperson of the panel.



**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

The Librarian reviews the panel's decisions and has 90 days to adopt or reject the panel's decision. Decisions may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

**Note 5.      Investments, Net**

Investments at September 30, 1998 are as follows:

	<b>ENTITY ASSETS</b> <b>Gift &amp; Trust Funds</b>			<b>NON-ENTITY</b> <b>ASSETS</b> <b>Custodial: Copyright</b> <b>Royalties</b>
	<b>A. Intragovernmental</b> <b>Investments</b> Non-Marketable, Market-Based	<b>B. Other</b> <b>Investments</b> Private Sector	<b>Total Entity</b>	<b>A. Intragovernmental</b> <b>Investments</b> Non-Marketable, Market-Based
<b>Face Value</b>	\$27,868,000		\$27,868,000	\$705,090,000
<b>Cost</b>		\$16,054,365	16,054,365	
<b>Unamortized</b> <b>Premium</b>	394,806		394,806	1,839,663
<b>Unrealized</b> <b>Discount</b>	219,726		219,726	2,636,232
<b>Interest</b> <b>Receivable</b>	261,162		261,162	319,924
<b>Investments, Net</b>	<b>28,304,242</b>	<b>16,054,365</b>	<b>44,358,607</b>	<b>704,613,355</b>
<b>Market Value</b>	<b>\$28,383,435</b>	<b>\$14,821,882</b>	<b>\$43,205,317</b>	<b>\$704,891,644</b>

**A. Intragovernmental Investments**

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Trust fund investment maturity dates range from October 8, 1998 to February 15, 2003, and interest rates range from 3.5 percent to 8.9 percent.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

Custodial funds investment maturity dates range from October 15, 1998 to August 31, 1999, and interest rates range from 3.8 percent to 5.5 percent.

**B. Governmental Investments**

Governmental investments are the Library's investments in private sector money market and mutual funds. Cost was derived from the investments made plus reinvested gains, dividends, and interest. Balances at September 30, 1998, are as follows:

<b>Type of Investment</b>	<b>Cost Basis</b>	<b>Market Value</b>
Money Market Fund	\$7,069,127	\$7,069,127
Equity Mutual Funds	8,985,238	7,752,755
Total	\$16,054,365	\$14,821,882

**Note 6.      Receivables**

**A. Accounts Receivable**

The breakdown of gross and net accounts receivable is as follows:

	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Entity</b>			
Intragovernmental			
Accounts Receivable, Gross	7,806,524	(1,403,827)	6,402,697
Allowance for Doubtful Accounts			
Accounts Receivable, Net	7,806,524	(1,403,827)	6,402,697
Other			
Accounts Receivable, Gross	638,709		638,709
Allowance for Doubtful Accounts	9,905		9,905
Accounts Receivable, Net	628,804		628,804
<b>Non-Entity</b>			
Intragovernmental			
Accounts Receivable, Gross	52,683		52,683
Allowance for Doubtful Accounts			
Accounts Receivable, Net	52,683		52,683

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**B. Pledges Receivable**

At September 30, 1998, the Library had unconditional pledges of contributions totaling \$19.1 million (rounded) which were discounted through fiscal year 2003 at a market discount rate and included in the statement of financial position at their discounted value of \$17.3 million (rounded). The amounts due in future years, at September 30, at their current discounted value are:

	<b>Present Value</b>	<b>Discount</b>	<b>Future Value</b>
FY 1999	\$7,292,543	\$330,059	\$7,622,602
FY 2000	4,310,357	386,556	4,696,913
FY 2001	2,172,612	297,388	2,470,000
FY 2002	1,361,607	253,393	1,615,000
FY 2003	2,193,898	531,102	2,725,000
<b>Totals</b>	<b>\$17,331,017</b>	<b>\$1,798,498</b>	<b>\$19,129,515</b>

**Note 7. Inventory**

The Library's inventory is primarily comprised of bibliographic products, unissued supplies and unused postage that will be consumed in future operations, materials used to reproduce printed materials, sound recordings for both internal and external sales, and sales shop merchandise for resale. The following table shows inventory held for use and held for sale at September 30, 1998:

<b>Entity</b>	<b>Held for Use</b>	<b>Held for Sale</b>	<b>Total</b>
Appropriated Funds	\$79,799	\$665,611	\$745,410
Reimbursable Funds	1,163,916		1,163,916
Gift & Trust Funds	1,427		1,427
Revolving Funds	91,741	888,989	980,730
<b>Total Entity</b>	<b>\$1,336,883</b>	<b>\$1,554,600</b>	<b>\$2,891,483</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 8.      Property and Equipment (Net)**

Property and equipment accounts are maintained in three categories of funds: Appropriated, Reimbursable and Revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment purchased by FEDLINK, the Federal Research Division and the Integrated Support Services Administrative Working Fund is recorded in the reimbursable fund. Property and equipment purchased by Photoduplication Services and the Recording Laboratory is recorded in the revolving fund.

The following table shows property and equipment which was capitalized at September 30, 1998.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

<b>Classes of Property and Equipment</b>	<b>Acquisition Value</b>	<b>Accumulated Depreciation/ Amortization</b>	<b>Net Book Value</b>
Appropriated: Operating equipment	\$40,837,177	\$26,227,283	\$14,609,894
ADP software	4,738,172	2,982,403	1,755,769
Furniture & Furnishings	959,808	175,702	784,106
Capital Leases	993,696	434,217	559,479
Leasehold Improvements	9,787,311	5,324,543	4,462,768
NLS/BPH Equipment - loan to public	81,660,135	43,565,393	38,094,742
Total Appropriated	138,976,299	78,709,541	60,266,758
Reimbursable: Equipment	688,299	673,607	14,692
ADP software	17,200	3,440	13,760
Capital Leases	316,967	63,836	253,131
Total Reimbursable	1,022,466	740,883	281,583
Revolving: Equipment	1,265,048	1,041,676	223,372
Capital Leases	230,122	188,568	41,554
Total Revolving	1,495,170	1,230,244	264,926
<b>Total Property and Equipment</b>	<b>\$141,493,935</b>	<b>\$80,680,668</b>	<b>\$60,813,267</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 9.      Leases**

**A. Capital Leases**

The Library has capitalized leases for machinery and equipment at a cost of \$1,540,785 and has recorded accumulated amortization of \$629,632 as of September 30, 1998.

The lease agreements are annual fiscal year contracts that are subject to the availability of funding. The agreements contain a lease to purchase provision and there is no penalty for discontinuing the lease and turning back equipment prior to the completion of the agreement. Estimated future minimum lease payments are as follow:

<b>Fiscal Year Ended September 30</b>	<b>Amount</b>
1999	\$401,590
2000	285,639
2001	199,238
2002	173,638
2003	30,760
Total Future Lease Payments	1,090,865
Less: Imputed Interest	179,704
<b>Net Capital Lease Liability</b>	<b>\$911,161</b>

**B. Operating Leases**

The Library leases office space and vehicles from the General Services Administration and has entered into other operating leases for various types of equipment. Additionally, the Library's overseas field offices lease operating space from the Department of State. Lease costs for office space, vehicles and equipment for fiscal year 1998 amounted to \$3,866,643. Estimated future minimum lease payments through fiscal year 2006 are as follows:

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

<b>Fiscal Year Ended September 30</b>	
<b>1999</b>	<b>\$3,255,821</b>
<b>2000</b>	<b>2,271,937</b>
<b>2001</b>	<b>2,234,162</b>
<b>2002</b>	<b>2,223,511</b>
<b>2003</b>	<b>2,165,700</b>
<b>Thereafter</b>	<b>5,061,211</b>
<b>Total Estimated Future Lease Payments</b>	<b>\$17,212,342</b>

**Note 10.      Workers' Compensation**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Library employees under FECA are administered by the Department of Labor (DOL) and later billed to the Library.

The Library accrued \$2,253,996 of unbilled or unpaid workers' compensation costs as of September 30, 1998, and established an estimated unfunded liability for future costs based on historical claims rates. The estimated future unfunded liability is \$9,450,540 and is based on a ten year projection.

**Note 11.      Contingent Liabilities**

Several claims relating to employment matters are outstanding against the Library. While management cannot predict the outcome of the claims and is unable to estimate the potential loss, the maximum loss under each claim may not exceed \$300,000 in compensatory damages, plus any equitable relief (back pay, front pay, attorney's fees). Under law, any claims settled internally would be paid from the Library's funds and any claims defended in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 12.      Other Liabilities**

Other Liabilities are comprised of the following:

	<b>Capital Lease Liability</b>	<b>Liability with Treasury - Cash in Safe</b>	<b>Deferred Credits</b>	<b>Custodial Liability</b>	<b>Total</b>
Entity:					
Other	\$911,161	\$9,221	\$320,338		\$1,240,720
Non-Entity					
Intragovernmental				\$19,652	19,652
Other				33,074	33,074
<b>Totals</b>	<b>\$911,161</b>	<b>\$9,221</b>	<b>\$320,338</b>	<b>\$52,726</b>	<b>\$1,293,446</b>

**Note 13.      Unexpended Appropriations**

The components of unexpended appropriations at September 30, 1998 are as follows:

<b>Balances:</b>	<b>Consolidated</b>
Undelivered Orders	\$51,369,884
Unobligated	
(a) Available	8,313,746
(b) Unavailable	8,687,692
<b>Total Unexpended Appropriations</b>	<b>\$68,371,322</b>

Unexpended appropriations consist of unobligated balances and undelivered orders. Unobligated balances represent amounts appropriated which are unobligated and have not lapsed, been



**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

rescinded, or withdrawn. Undelivered orders represent obligations the Library had incurred as of September 30, 1998, for goods and services which were ordered but had not been received by that date.

**Note 14.      Program Costs by Budget Object Classification**

<b>Program Costs</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
Operating Expenses:			
Personnel Services and Benefits	288,990,776	403,333	289,394,109
Travel and Transportation	2,162,728	8,268	2,170,996
Rental, Communication and Utilities	8,875,709	(308)	8,875,401
Printing and Reproduction	6,290,444	(1,890,125)	4,400,319
Contractual Services	79,261,190	(3,534,462)	75,726,728
Supplies and Materials	9,937,088	(1,278,258)	8,658,830
Library Materials	65,770,727	(2,450,516)	63,320,211
Non-Capitalizable Equipment	10,452,732	150,000	10,602,732
Other Operating Expenses	865,918	(18,359)	847,559
Depreciation and Amortization	20,733,379		20,733,379
Other Program Costs	115,182		115,182
<b>Total Program Costs</b>	<b>\$493,455,873</b>	<b>(\$8,610,427)</b>	<b>\$484,845,446</b>

The Library's collections are classified as heritage assets, and the amount designated as "Library Materials" above represents the fiscal 1998 cost incurred by the Library for acquisitions of heritage assets.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 15.      Program Costs and Earned Revenue by Functional Classification**

**Program Costs by Functional Classification**

<b>Function Classification</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
International Affairs	134		134
Commerce and Housing Credit	34,737,468	(590,258)	34,147,210
Education, Training, Employment and Social Services	387,504,353	(6,987,605)	380,516,748
General Government	71,213,396	(1,032,564)	70,180,832
Other	522		522
<b>Total</b>	<b>493,455,873</b>	<b>(8,610,427)</b>	<b>484,845,446</b>

**Earned Revenue by Functional Classification**

<b>Function Classification</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
International Affairs			
Commerce and Housing Credit	18,786,682		18,786,682
Education, Training, Employment and Social Services	77,581,844	(8,610,427)	68,971,417
General Government	18,043		18,043
Other	(10,829)		(10,829)
<b>Total</b>	<b>96,375,740</b>	<b>(8,610,427)</b>	<b>87,765,313</b>

**Note 16.      Exchange Revenues**

In accordance with Library of Congress Regulation (LCR) 1510 Financial Services, the Library must comply with any OMB circular or bulletin if it is specifically prescribed in an (1) LCR, (2) FSD Directive, or (3) if required by law. OMB Circular No. A-25, User Charges, does not fall into any of these three categories, but may be used by the Library as a useful point of reference. Circular No. A-25 requires that user charges be sufficient to recover the full costs to the Federal Government. Full costs includes all direct and indirect costs to any part of the Federal Government of providing the good or service, including unreimbursed inter-entity costs.

The Copyright Office's registration operations have legislatively mandated fees, which do not require the recovery of the full costs of operations. Registration fees may be raised to

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

recover reasonable costs; however, the new fees would need to be fair and equitable and support the objectives of the copyright system and give due consideration to the objectives.

If the Library were to increase fees and prices to recover full costs to the government of providing these goods and services, this would in some cases reduce the quantity of goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue forgone from charging fees that do not recover full costs to the government and (2) to what extent the quantity of goods and services demanded would change as a result of changes in prices and fees.

**Note 17.      Imputed Financing**

In accordance with SFFAS No. 4, "Managerial Cost Accounting Standards", the Library has recorded expenses for the unreimbursed full costs of goods and services that it receives from other Legislative Branch agencies (i.e., The Architect of the Capitol and the Government Printing Office) and Executive Branch agencies specifically identified for fiscal year 1998 reporting by the Office of Management and Budget (i.e., The Office of Personnel Management). Since these costs are not actually paid to the other agencies, an imputed financing source (revenue) is recorded to offset these costs.

The \$45.4 million of imputed financing consists of \$24.2 million to offset the recorded costs of the Architect of the Capitol (Library buildings and grounds costs), \$0.5 million to offset the recorded costs of the Government Printing Office (exchange program costs) and \$20.7 million to offset the recorded costs of the Office of Personnel Management (staff benefits costs).

**Note 18.      Prior Period Adjustment**

The Library has recorded a prior period adjustment due to a change in an accounting principle. For fiscal years 1997 and prior, the Library recorded offsetting collections as appropriated equity. Based on the SFFAS No. 7, "Accounting for Revenue and Other Financing Sources", which was effective for fiscal year 1998, the Library now records offsetting collections as exchange revenue. This change in accounting principle required that all remaining prior year offsetting collection appropriated equity balances be reclassified as prior period revenues. As a result, the Library is reflecting a \$6.3 million prior period adjustment on the Consolidated Statement of Changes in Net Position.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 19.      Unexpended Appropriations**

The decrease in unexpended appropriations consists of the following:

	<b>Consolidated</b>
Treasury Warrants from Appropriations	\$346,424,000
Non-Expenditure Transfers (State Dept)	488,000
Other Miscellaneous Changes, net	(116)
Rupees translation adjustment	(38,958)
Non-Expenditure Transfers (USAID)	(365,509)
Canceled BFY 93 Authority	(4,275,771)
Reclassify offsetting collection equity balances as prior period revenue	(6,258,542)
Appropriated Capital Used	(342,021,947)
<b>Decrease in Unexpended Appropriations</b>	<b>(\$6,048,843)</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 20.      Budgetary Resources**

Budgetary Resources are classified as follows:

<b>Budgetary Resources:</b>	<b>ENTITY FUNDS (Appropriated Capital)</b>	<b>ENTITY FUNDS (Non-Appropriated Capital)</b>	<b>NON-ENTITY FUNDS</b>	<b>COMBINED</b>
New Appropriations and Transfers, net	\$346,701,491	(\$185,557)		\$346,515,934
Unobligated balances - beginning of period	18,702,843	44,340,763	\$728,610,353	791,653,959
Spending authority from receipts	955,130	119,774,532	249,510,174	370,239,836
Adjustments, net	(3,202,763)	3,233,368		30,605
<b>Total budgetary resources</b>	<b>\$363,156,701</b>	<b>\$167,163,106</b>	<b>\$978,120,527</b>	<b>\$1,508,440,334</b>
<b>Status of Budgetary Resources:</b>				
Obligations incurred, new	\$346,155,263	\$114,943,606	\$274,074,959	\$735,173,828
Unobligated balance - available	8,313,746	35,869,653	704,045,568	748,228,967
Unobligated balance - not available	8,687,692	16,349,847		25,037,539
<b>Total, status of budgetary resources</b>	<b>\$363,156,701</b>	<b>\$167,163,106</b>	<b>\$978,120,527</b>	<b>\$1,508,440,334</b>
<b>Outlays</b>				
Obligations incurred, New	\$346,155,263	\$114,943,606	\$274,074,959	\$735,173,828
Less: spending authority from receipts and adjustments	2,028,138	124,221,696	249,510,174	375,760,008
Subtotal	344,127,125	(9,278,090)	24,564,785	359,413,820
Obligated balance, net - beginning of period	71,629,894	41,942,144		113,572,038
Less: obligated balance, net - end of period	77,014,939	39,017,255		116,032,194
<b>Total outlays</b>	<b>\$338,742,080</b>	<b>(\$6,353,201)</b>	<b>\$24,564,785</b>	<b>\$356,953,664</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

(1) The net amount of budgetary resources obligated for undelivered orders, ending balance, is \$84,468,415, which consists of \$51,369,884 of appropriated funds and \$33,098,531 of non-appropriated funds.

(2) There were no material adjustments to the beginning balances of budgetary resources.

(3) For Trust Funds, approximately \$9 million of unobligated authority is restricted from being spent by the donors and an additional \$10.7 million of restricted authority has been obligated and expended to invest in non-treasury securities.

(4) There has been no contributed capital received during fiscal year 1998.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 21.      Schedule of Financing**

<b>Resources that Fund Net Cost of Operations:</b>	
Budgetary:	
Obligations incurred, new	\$735,173,828
Less: spending authority from receipts and adjustments	375,760,008
Net budgetary resources used to finance activities	359,413,820
Financing Imputed for cost subsidies	45,400,873
<b>Total resources used to fund net cost of operations</b>	<b>\$404,814,693</b>
<b>Resources Used But Not part of Net Cost of Operations:</b>	
Decrease in budgetary resources obligated to order goods and services not yet received or benefits not yet provided	\$4,663,636
Refunds of unearned customer orders (advances) and change in unobligated unfilled customer orders	(3,847,883)
Refunds of nonexchange revenue and Copyright Licensing Distributions	(275,805,734)
Nonexchange donations and other offsetting collections not part of net costs	272,939,547
Costs capitalized on the balance sheet	(26,265,920)
Investment Premium Reducing Offsetting Collections and accrued amortization of Investment Premium and Discount	(1,181,150)
<b>Total resources used not part of the net cost of operations</b>	<b>(\$29,497,504)</b>
<b>Costs That Do Not Require Resources:</b>	
Depreciation, amortization and loss on disposals	\$20,836,958
Other	1,835,573
<b>Total costs that do not require resources</b>	<b>\$22,672,531</b>
Financing Sources Yet to be Provided	592,825
<b>Net Cost of Operations</b>	<b>\$398,582,545</b>